



# Austria

## Frontier of a New European Union

by Kelly Parsons

*Office of European Union and  
Regional Affairs,  
Market Access and Compliance*

While often overshadowed by its much larger neighbor, Germany, a second glance at Austria reveals enticing export opportunities for U.S. businesses. Aside from the country's well-diversified and relatively resilient economy, Austria offers a business location at an international crossroads. In May 2004, the European Union will welcome 10 new members. Austria will then border two longtime EU member states, two non-EU countries, and four new EU members, making it an excellent springboard into a host of new markets. This new status will create a more competitive environment for U.S. companies seeking access to growing markets in Central and Eastern Europe. Already, some 360 U.S. firms have recognized this potential and use Vienna as a regional base of operations for their business endeavors in Central and Eastern Europe. The Austrian government plans to create a regional cooperation zone with Hungary, Slovakia, and the Czech Republic, all countries that will join the European Union next year. Austria's ties to the EU accession states and its developed, open economy make for an attractive combination



### FACTS AND FIGURES

<b>Total area:</b>	2,562 square km (slightly smaller than Maine)
<b>Population:</b>	8.2 million
<b>GDP:</b>	\$240 billion (2003 forecast)
<b>GDP growth:</b>	2.2% (2003 forecast)
<b>Inflation:</b>	1.6% (2003 forecast)
<b>GDP by sector:</b>	services 65%, industry 33%, agriculture 2%
<b>Main industries:</b>	construction, machinery, vehicles and parts, food, chemicals
<b>Currency:</b>	euro
<b>Exports:</b>	machinery and equipment, motor vehicles and parts, paper and paperboard, metal goods, chemicals
<b>Imports:</b>	machinery and equipment, motor vehicles, chemicals, metal goods, oil and oil products
<b>Official language:</b>	German

Sources: CIA, EIU

for companies wishing to tap into a European market that will soon span an even greater share of the continent.

"Austria has transformed into a distinct niche-type market," says Joe Kaesshafer, senior commercial officer for Austria. "We've seen basically two types of U.S. exporters asking for our assistance

repeatedly. First, the small business that is intimidated by the size of the markets of Germany, France, or Italy, finds the size of the Austrian market to be quite manageable. Second, the small business or even very large company that looks at a map and realizes that in May 2004, the center of power in Europe moves in such a way that Austria can be a company's

linchpin or launching pad in dealing with the fast-growing EU accession countries.”

### NEW KID ON THE BLOC NO LONGER

A relative newcomer to the European Union itself, Austrians know about the benefits of joining the economic bloc. Austria's EU accession in 1995 had a positive impact on foreign investment, inflation, and economic growth by providing access to the single market and by fostering liberal policies to promote competition and dismantle protectionism. Austria fully adopted the EU currency, the euro, at the beginning of 2002.

The economic liberalization of Central and Eastern Europe has already had a positive effect on Austria's economy. Austrian firms have invested significant amounts in these countries and continue to move labor intensive, low-tech production there. Austrian banks greatly expanded already established and extensive networks in many of the accession countries. All these conditions have attracted firms from around the EU seeking convenient access to newly emerging markets near Austria.

### A BRIDGE BETWEEN EAST AND WEST

Austrian leaders like to emphasize the unique role the country still plays as a link between the East and West and as a frontier state in EU enlargement. Austria is also active in the United Nations and serves as a host to many global organizations. The capital city of Vienna serves as the headquarters of important international bodies such as the Organization for Security and Cooperation in Europe, the International Atomic Energy Agency, the Organization of Petroleum Exporting Countries, and a branch of the European Patent Office.

Austria's government also takes time to seek ways of keeping its own economy diversified and stable. It pursues investment in industries with high potential,

such as telecommunications, non-agricultural biotechnology, medical and pharmaceutical research, and electronics. For U.S. companies in these industry sectors, Austria represents a good opportunity for export, joint venturing, and investment.

### PAVING THE WAY

While the road and railway infrastructure from Austria to the future EU states still needs improvement, Austria and several of its eastern neighbors have taken on the project of improving arteries of transportation as part of their cooperative regional efforts. Austria itself has a modern communications and transportation infrastructure and an extensive highway system that provides good access to major Western European industrial centers and ports.

Austrian goods also find their way to the United States, and vice versa. The United States is Austria's third-largest supplier of imports and largest trade partner outside of Europe. U.S. companies new to the Austrian market will benefit from this established exchange of goods and services between the two countries. U.S. exporters looking to Austria will find a highly competitive market closely linked to the economies of other EU member states, particularly Germany, and with demands for quality, service, and price.

The U.S. Commercial Service in Vienna has already completed research on a number of industry sectors in Austria and offers a variety of market research and promotional services for U.S. companies looking to export to Austria.

### BEST PROSPECTS FOR U.S. EXPORTERS

#### Computer Software and Services

In 2002, total packaged software sales in Austria reached nearly \$1.2 billion, and the value of IT services totaled more than \$2.6 billion. The expected annual growth rate for 2003 will be close to 5 percent for software and over 7 percent for services, and over

### OFFICIAL HOLIDAYS, 2004

January 1	New Year's Day
January 6	Epiphany
April 12	Easter Monday
May 1	Labor Day
May 20	Ascension Day
May 31	Whitmonday
June 10	Corpus Christi Day
August 15	Assumption Day
October 26	National Day
November 1	All Saints' Day
December 8	Immaculate Conception
December 25	Christmas Day
December 26	St. Stephen's Day



### TOP U.S. EXPORTS TO AUSTRIA, 2002

(in millions of dollars)

Vehicles, not railway:	\$851
Aircraft, spacecraft:	\$393
Machinery:	\$268
Pharmaceutical products:	\$200
Electrical machinery:	\$175
Optical, medical instruments:	\$172



## UPCOMING TRADE EVENTS

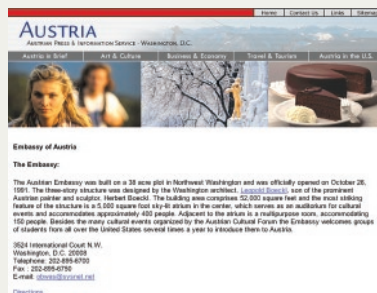
Unlike its services in large markets with a focus on trade shows, the Commercial Service in Vienna has a niche in providing locally organized, individual company promotions, industry-specific sales seminars, and its Gold Key Service. Please contact the Commercial Service for more information.

Date	City	Event
November 25, 2003	Vienna	Seminar on Internet Security Solutions
May-June 2004	Vienna	Nashville Health Care Trade Mission
September 2004	Vienna	MBA Fair 2004

## WEB RESOURCES



**U.S. Commercial Service in Austria**  
[www.buyusa.gov/austria/en](http://www.buyusa.gov/austria/en)  
 E-mail: [officebox.vienna@mail.doc.gov](mailto:officebox.vienna@mail.doc.gov)  
 Tel: +43-1-313-39-2297



**Austrian Embassy in Washington, D.C.**  
[www.austria.org/embassy.shtml](http://www.austria.org/embassy.shtml)  
 3524 International Court, N.W.  
 Washington, DC 20008  
 Tel: (202) 895-6700 Fax: (202) 895-6750



**Republic of Austria**  
[www.austria.gv.at/e](http://www.austria.gv.at/e)



**U.S. Embassy in Austria**  
[www.usembassy.at](http://www.usembassy.at)  
 Tel: +43-1-31339-0



**Austrian Press and Information Service**  
[www.austria.org](http://www.austria.org)



**Federal President of the Republic of Austria**  
[www.hofburg.at/en/index.htm](http://www.hofburg.at/en/index.htm)



12 percent for software and nearly 8 percent for services in 2004. The market for databases is growing, especially as Austrian companies develop e-commerce sites and as large firms discover the advantages of enterprise-wide information management, still relatively new ideas in this market. Sales of networking software totaled \$89.8 million in 2002, and are expected to grow over 11 percent annually through 2005. The best opportunities for sales of U.S. software in Austria appear to be in Internet systems engineering and applications consulting, database and communications software and office automation, education, and quality control.

### Telecommunications Services

The telecommunications services sector is the largest sector in the telecommunications market and accounted for nearly 76 percent of the total market in 2002. It is largely liberalized, well developed, and extremely competitive. Licenses are required for wire-bound public voice telephony, public offering of line leases, and wireless voice telephony. A single simple registration requirement applies to all other telecommunication services. The convergence of mobile phone, Internet, TV, satellite, and cable services offers a potent mix of new services, especially to U.S. firms that are the most experienced suppliers for many of these services.

### Telecommunications Equipment

The Austrian telecommunications equipment market is an open, well developed, and highly competitive market. Sales totaled about \$2.4 billion in 2002, an increase of around 4 percent from 2001. The expected growth rate for 2003 is 9 percent and 10 percent in 2004. Mobile communications continues to be the booming segment of the industry. The Austrian enterprise infrastructure and network access equipment market is expected to grow from \$182.2 million in 2001 to \$280.6 million in 2006, or a forecasted increase of 9 percent.

### Drugs and Pharmaceuticals

In 2002, Austrian production of pharmaceuticals increased by 22 percent, while imports grew by 17 percent and exports by 30 percent. Despite the significant increase in exports, Austria still cannot point to a positive balance of trade in pharmaceuticals. More than half of all pharmaceuticals produced in Austria are imported, and only about 40 percent are produced domestically. Access to the Austrian pharmaceutical market is subject to strict national or EU legislation and a cumbersome, bureaucratic approval and pricing process. Nevertheless, products from the United States enjoy an excellent reputation with respect to quality and safety, and the Austrian market is highly receptive to U.S. imports in this field.

### Aircraft and Parts

The Austrian market for civil aviation aircraft, parts, and equipment totaled approximately \$201 million in 2002 and is expected to grow by 5 percent in 2003. With domestic based manufacturing limited to one company, the vast majority of the market is served by imports. In terms of market position, U.S. companies represent 48 percent of imports.

### Health Care Equipment

With its location in Central Europe and as an EU member state, Austria represents a desirable, affluent test market for U.S.-made advanced medical equipment. In 2002, U.S. manufacturers provided more than 20 percent of the health care equipment imports making them the second largest suppliers, following those from Germany. However, due to low population growth and public health care budget cuts, U.S. imports are not expected to grow in 2003. The best opportunities for new sales appear to be for state-of-the-art equipment. ■

This article was compiled with assistance from the Commercial Service staff in Vienna, Austria.

